

PATHFINDERS STRATEGIC PARTNERS

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2020

T. P. ANDERSON & COMPANY, P.C.
Certified Public Accountants

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T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report

To the Board of Directors of
Pathfinders Strategic Partners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Pathfinders Strategic Partners, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Pathfinders Strategic Partners' (Organization) basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Pathfinders Strategic Partners, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the Organization's Proportionate Share of the Net Pension Liability, the Schedule of the Organization's Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 8 and 28 through 30 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pathfinders Strategic Partners' basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary balance sheet – Dodger Area Rapid Transit, the Schedule of Expenditures of Federal Awards required by Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Comparative Schedule of Revenues, Expenses and Changes in Net Position included in Schedules 1 through 3 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2021, on our consideration of the Pathfinders Strategic Partners' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

T.P. Anderson & Company, P.C.

March 23, 2021
Humboldt, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pathfinders Strategic Partners provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the Organization's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- Revenues of the Organization increased 3%, or approximately \$108,000 from fiscal 2019 to fiscal 2020. The increase was mainly the result of additional COVID related grant funding.
- Program expenses were approximately \$3.0 million, which is an increase of approximately \$545,000 from 2019. The increase resulted from increased capital purchases for DART in 2019.
- The Organization's net position increased 6.5%, or approximately \$305,000, from June 30, 2019 to June 30, 2020.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Organization's financial activities.

The Government-wide Financial Statement consists of a Statement of Net Position and Statement of Activities. These provide information about the activities of Pathfinders Strategic Partners as a whole and present an overall view of the Organizations finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Pathfinders Strategic Partners's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with the Organization's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan. Pathfinders Strategic Partners is not required to present budgetary comparison information because the Organization is not required by the Code of Iowa to adopt a legally binding budget.

Supplementary Information provides a supplemental Balance Sheet for the DART bus operation, managed for the City of Fort Dodge. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting Pathfinders Strategic Partners.

REPORTING THE ORGANIZATION'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the Organization's finances is, "Is the Organization as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents the Organization's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the Organization's net position may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

The Statement of Activities presents information showing how the Organization's net position changed during the most recent fiscal year. All changes in net position are reported when the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The Statement of Net Position and the Statement of Activities report two kinds of activities:

- Governmental activities, of which there were none in FY 2020.
- Business type activities include busing operations in Fort Dodge, Humboldt, Webster City, Manson, Pocahontas, Clarion, and other locations for member communities. These activities are financed primarily by state and federal operating assistance. The business type activities also include the government planning services that have always been offered by the Organization.

Fund Financial Statements

The Organization's operations are reported in a proprietary fund:

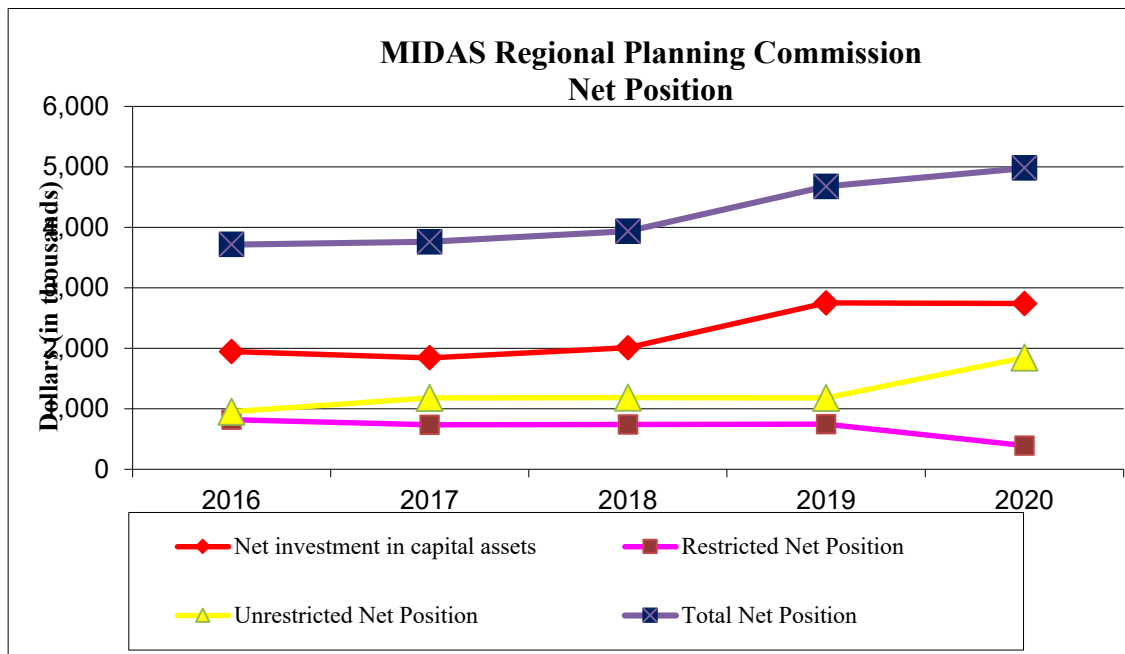
FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position year over year.

Net Position of Government-Wide Activities (Expressed in Thousands)		
	Year ended June 30,	
	2020	2019
Current and other assets	\$ 3,194	\$ 2,851
Capital assets	2,741	2,750
Total assets	5,935	5,601
Deferred outflows of resources	324	378

Long-term debt outstanding	959	969
Other liabilities	98	115
Total liabilities	1,057	1,084
Deferred inflows of resources	222	220
Net position:		
Net investment in capital assets	2,741	2,750
Restricted	393	743
Unrestricted	1,846	1,182
Total net position	\$ 4,980	\$ 4,675

Net position of increased approximately \$305,000 or 6.5% over fiscal year 2019. The largest portion of the Organization's net position is invested in capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of the net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$1.8 million at the end of this year.



Changes in Net Position (Expressed in Thousands)		
	Year ended June 30,	
	2020	2019
Revenues:		
Program revenues:		
Charges for service	\$ 605	\$ 792
Operating grants, contributions and restricted interest	1,805	1,782
Capital grants, contributions and restricted interest	456	216
Dues	454	423
General revenues:		
Unrestricted investment earnings	22	20
Other general revenues	7	7
Total revenues	3,349	3,240
Program expenses:		
Planning	345	327
Transit operations	2,699	2,172
Total expenses	3,044	2,499
Increase (decrease) in net position	305	741
Net position beginning of year	4,675	3,934
Net position end of year	\$ 4,980	\$ 4,675

The cost of all activities this year was \$3.0 million. \$2.9 million of these costs were financed by those who directly benefited from the programs and grants. Overall, the Organization's revenues, including intergovernmental aid and fees for services increased in 2020 from approximately \$2.8 million to \$2.9 million. This increase was due mainly due to additional COVID related grants received.

CAPITAL ASSETS

At June 30, 2019, the Pathfinders Strategic Partners had approximately \$7.1 million invested in a broad range of capital assets, including buildings, buses and equipment. This is a net increase (including additions and deletions) of approximately \$174,000.

The Organization had depreciation expense of \$238,227 in fiscal year 2020 and total accumulated depreciation of \$4.4 million at June 30, 2020.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Pathfinders Strategic Partners' board of directors considered various factors when setting the fiscal year 2021 budget that will be charged for Organization activities. Pathfinders Strategic Partners' planning and general administration revenue is expected to tighten as compared with the previous year. Federal and state capital and operating grants are expected to further tighten moving forward due to federal budget concerns.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Pathfinders Strategic Partners' finances and to show the Organization's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Pathfinders Strategic Partners, 602 1st Avenue South, Fort Dodge, Iowa 50501.

Basic Financial Statements

PATHFINDERS STRATEGIC PARTNERS

STATEMENT OF NET POSITION

JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ -	2,322,392	2,322,392
Accounts receivable:			
IDOT	-	88,204	88,204
Transit	-	289,020	289,020
Prepaid expenses	-	97,907	97,907
Notes receivable	-	83,359	83,359
Restricted assets:			
Cash - revolving loan funds	-	313,254	313,254
Capital assets, net of accumulated depreciation	-	2,740,955	2,740,955
Total assets	-	5,935,091	5,935,091
Deferred Outflows of Resources			
Pension related deferred outflows	-	323,715	323,715
Liabilities			
Accounts payable	-	35,149	35,149
Accrued payroll and payroll tax	-	30,016	30,016
Accrued vacation	-	32,841	32,841
Noncurrent liabilities:			
Due in more than one year:			
Net pension liability	-	958,677	958,677
Total liabilities	-	1,056,683	1,056,683
Deferred Inflows of Resources			
Pension related deferred inflows	-	221,577	221,577
Net Position			
Net investment in capital assets	-	2,740,957	2,740,957
Restricted for:			
EDA-RLF program	-	393,453	393,453
Unrestricted	-	1,846,136	1,846,136
Total net position	\$ -	4,980,546	4,980,546

See Notes to Financial Statements

PATHFINDERS STRATEGIC PARTNERS

Exhibit B

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Expenses	Program Revenues			Governmental Activities	Business-type Activities	Total
		Charges for Service	Operating Grants	Capital Grants			
Functions/Programs:							
Governmental activities:							
Administration	\$ -	-	-	-	-	-	-
Business-type activities:							
Transit system	3,008,450	605,276	1,805,078	455,581	-	(142,515)	(142,515)
	<u>\$ 3,008,450</u>	<u>605,276</u>	<u>1,805,078</u>	<u>455,581</u>	<u>-</u>	<u>(142,515)</u>	<u>(142,515)</u>
General Revenues:							
Local tax support					\$ -	419,475	419,475
Interest income					-	22,043	22,043
Other income					-	59	59
Sale of assets					-	6,478	6,478
					<u>-</u>	<u>448,055</u>	<u>448,055</u>
Total general revenues					-	448,055	448,055
Change in net position					-	305,540	305,540
Net position beginning of year - as restated					-	4,675,006	4,675,006
Net position end of year					<u>\$ -</u>	<u>4,980,546</u>	<u>4,980,546</u>

See Notes to Financial Statements

PATHFINDERS STRATEGIC PARTNERS
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2020

Assets		
Cash	\$	-
Accounts receivable		-
Prepaid expenses		-
Notes receivable		-
Total assets	\$	-
Liabilities		
Accounts payable		-
Accrued payroll and payroll taxes		-
Total liabilities		-
Fund Balances		
Nonspendable:		
Notes receivable		-
Prepaid expenses		-
Restricted for:		
EDA-RLF program		-
MIDAS Housing-RLF		-
Committed for:		
MIDAS Housing-RLF		-
Unrestricted		-
Total fund balances		-
Total liabilities, deferred inflows of resources and fund balances	\$	-

See Notes to Financial Statements

PATHFINDERS STRATEGIC PARTNERS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2020

Revenue	
State and federal grants	\$ -
Local participation	-
Interest income	-
CDBG administration	-
Total revenue	<u>-</u>
Expenditures	
Administration:	
Planning	-
CDBG	-
Housing RLF	-
FAST	-
EDA/RLF	-
Hazard mitigation	-
IDED COG assistance	-
Miscellaneous contracts	-
Total expenditures	<u>-</u>
Excess of revenue under expenditures	-
Fund balance, beginning of year as restated	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>

PATHFINDERS STRATEGIC PARTNERS

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2020

Assets

Current assets:

Cash	\$ 2,322,392
Accounts receivable, net	377,224
Prepaid expenses	97,907
Notes receivable, net	83,359
Cash - restricted revolving loan funds	313,254
Total current assets	<u>3,194,136</u>

Non-current assets:

Capital assets:

RTA building, transportation and other equipment	7,088,845
Less: accumulated depreciation	<u>(4,347,890)</u>
Total non-current assets	<u>2,740,955</u>

Total assets	<u>5,935,091</u>
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Deferred Outflows of Resources

Pension related deferred outflows	<u>323,715</u>
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Liabilities

Current liabilities:

Accounts payable	35,149
Accrued payroll and payroll taxes	30,016
Accrued vacation	<u>32,841</u>
Total current liabilities	98,006

Non-current liabilities:

Net pension liability	<u>958,677</u>
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Total liabilities	<u>1,056,683</u>
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Deferred Inflows of Resources

Unavailable revenues:

Pension related deferred inflows	<u>221,577</u>
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Net Position

Net investment in capital assets	2,740,955
Restricted:	
EDA-RLF program	393,453
Unrestricted	<u>1,846,138</u>
Total net position	<u>\$ 4,980,546</u>

See Notes to Financial Statements

PATHFINDERS STRATEGIC PARTNERS

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2020

Operating Revenues	
Fare and contract income	570,276
State and federal grants	2,260,659
Local participation	454,534
	<hr/>
Total operating revenues	3,285,469
	<hr/>
Operating Expenses	
Payroll expenses	1,559,916
Facility operations	65,194
Vehicle expenses	291,127
Insurance expenses	240,204
Administrative expenses	210,788
Memberships	6,082
Travel	27,601
Employee recruitment training	14,030
Depreciation	237,515
Miscellaneous	11,377
DART bus purchases	344,616
	<hr/>
Total operating expenses	3,008,450
	<hr/>
Operating income	277,019
	<hr/>
Non-Operating Revenues	
Gain from sale/dispositions of fixed assets	6,478
Interest income	22,043
	<hr/>
Total non-operating revenues	28,521
	<hr/>
Change in net position	305,540
Net position beginning of year - as restated	4,675,006
	<hr/>
Net position end of year	<u><u>\$ 4,980,546</u></u>

PATHFINDERS STRATEGIC PARTNERS

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2020

Cash flows from operating activities:	
Receipts from customers	\$ 1,059,810
Operating and capital grants	2,260,659
Payments to suppliers	(1,490,626)
Payments to employees	<u>(1,577,934)</u>
Net cash flow provided by operating activities	<u>251,909</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(228,169)
Proceeds from sale of equipment	<u>6,478</u>
Net cash used by capital and related financing activities	<u>(221,691)</u>
Cash flows from investing activities:	
Principal collected on notes receivable	36,805
Interest	<u>22,043</u>
Net decrease in cash	89,066
Cash, beginning of year as restated	<u>2,546,580</u>
Cash, end of year	<u><u>\$ 2,635,646</u></u>

MID-IOWA DEVELOPMENT ASSOCIATION COUNCIL OF GOVERNMENTS

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2020

Reconciliation of operating income to net cash flow provided
 by operating activities:

Operating income	\$ 277,019
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	237,515
Increase in accounts receivable	(198,650)
Increase in prepaid expenses	(92,213)
Increase in accounts payable	11,431
Increase in accrued expenses	(28,270)
Increase in net pension liability	(10,618)
Increase in deferred outflows	53,870
Decrease in deferred inflows	1,825
	<hr/>
Net cash flow provided by operating activities	<u><u>\$ 251,909</u></u>

MIDAS
Cash Flow Worksheet

Cash flows from Operating Activities:	2020	2019	2018
Receipts from customers			
Grp 3	1020 477,404.14	653,151.00	612,085.00
Grp 3	1013 <u>365,796.56</u>	<u>335,819.00</u>	<u>329,711.00</u>
	843,200.70	988,970.00	941,796.00
Operating and capital grants			
Grp 3	1008 (300.00)	-	-
Grp 3	1009 455,881.24	641,334.00	534,702.00
Grp 3	1011 1,627,448.31	1,199,248.00	1,205,060.00
Add FY18 A/R	76,825.00	159,602.00	144,316.00
Less FY19 .	325 <u>(289,020.15)</u>	<u>(76,825.00)</u>	<u>(159,602.00)</u>
	1,870,834.40	1,923,359.00	1,724,476.00
Payments to suppliers			
Total Operating expenses	2,172,319.00	2,172,319.00	2,478,363.00
less Payroll expense	(1,258,519.00)	(1,258,519.00)	(1,168,873.00)
less Depreciation	(228,137.46)	228,137.46	(195,333.00)
Less FY18 Prepaid Exp	(725.00)	(725.00)	(725.00)
Add FY19 Prepaid Exp	17,877.01	17,877.01	725.00
Add FY18 AP- RTA/DART	33,188.81	38,231.00	25,321.00
Less FY19 AP-RTA/DART	<u>(33,188.81)</u>	<u>(33,188.81)</u>	<u>(38,231.00)</u>
	702,814.55	1,164,131.66	1,101,247.00
Payments to employees			
payroll expense	1,258,519.00	1,258,519.00	1,258,519.00
Add FY18 accrued payroll	69,164.00	69,164.00	65,904.00
Less FY19 accrued payroll	(70,668.00)	(70,668.00)	(69,164.00)
Add FY18 net pension liability	833,573.00	833,573.00	835,853.00
Less FY19 net pension liability	(819,054.00)	(819,054.00)	(833,573.00)
Add FY18 deferred outflows	(307,094.00)	(307,094.00)	307,094.00
Less FY19 deferred outflows	319,058.00	319,058.00	(329,151.00)
Add FY18 deferred inflows	271,400.00	271,400.00	168,423.00
Less FY19 deferred inflows	<u>(185,690.00)</u>	<u>(185,690.00)</u>	<u>(230,486.00)</u>
	1,369,208.00	1,369,208.00	1,173,419.00
Cash flows from capital and related financing activities:			
Acquisition of capital assets	1,170,062.00	195,583.17 w/p 661	504,696.87
Repayments on long-term borrowings			
6/30/15 Balance		-	
less: 80% FAB outstanding bal		<u>\$0.00</u> balance relates to govt fund	
		\$0.00	
Principal issued on notes during year			
Proceeds from issuance of long-term debt	-	-	
Proceeds from sale of equipment	6,891.00	3,632.00 w/p 661	
Acquisition and construction of capital assets			
06/30/17 Balance		B/S 1,821,982	
Depreciation		661 (195,333)	
net book value on disposed property		661 (250)	
Additions		PLUG 195,583	374,329
06/30/18 Balance		B/S 1,821,982	178,746

PATHFINDERS STRATEGIC PARTNERS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(1) Nature of Organization

Pathfinders Strategic Partners is a regional planning and intergovernmental coordination Organization organized under Chapter 473A and Chapter 28E, Iowa Code, in 1974. The Organization is the regional planning and coordination Organization for Calhoun, Hamilton, Humboldt, Pocahontas, Webster and Wright Counties of Iowa. The Organization does not have stockholders or equity holders and it is not subject to income taxes. The Organization is not required to legally adopt an annual operating budget.

The Organization's financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

(2) Significant Accounting Policies

A. Reporting Entity

For financial reporting purposes, the Organization has included all funds, organizations, agencies, boards, Organizations and authorities. The Organization has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationships with the Organization are such that exclusion would cause the Organization's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria including appointing a voting majority of an organization's governing body and (1) the ability of the Organization to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Organization. The Organization has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all the nonfiduciary activities of the Organization. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Position presents the Organization's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position that does not meet the definition of the preceding categories. Unrestricted net positions often have constraints on resources imposed by management, which can be removed or modified.

PATHFINDERS STRATEGIC PARTNERS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Other revenues not properly included among program receipts are reported instead as general revenues.

Fund Financial Statements – Prior to July 1, 2019, separate financial statements were provided for a governmental fund and a proprietary fund.

The Organization has reviewed its operations and has made a determination that the local tax support is received based on the discretion of the Organization's members. The Organization does not levy taxes and therefore, a correction has been made in these statements to report all activities under one proprietary fund.

The Organization reports the following major enterprise fund:

The Organization reports its planning activities and its busing operations (including DART, RTA, and Jefferson Lines) in the enterprise fund of the Organization. All charges for government planning and disaster planning, bus fares, operating grants, capital grants and miscellaneous revenues generated by and for the transit operations are accounted for in this fund.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Local tax support/dues and intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Organization.

Under terms of grant agreements, the Organization funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the Organization's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

PATHFINDERS STRATEGIC PARTNERS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

The principal operating revenues of the proprietary funds are federal and state grants, contract revenue, and transit fares and the principal operating expenses include payroll, vehicle insurance and other transit expenses. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most Organization funds are pooled and invested. Invested cash is stated at cost, which approximates fair value. For purposes of the statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily converted to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Accounts Receivable – The Organization utilizes the allowance method for accounting for bad debts. Management uses its judgment based primarily on the length of time specific accounts have been outstanding in determining the allowance for doubtful accounts and related accounts receivable write offs. At June 30, 2020, the Organization had \$36,553 of their accounts receivable that were older than 90 days. At June 30, 2020 the allowance for doubtful accounts had a balance of \$16,000.

Restricted Assets – Funds held per grant agreement for the Economic Development Association revolving loan fund that can only be used to make future loans.

Capital Assets – Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend lives are not capitalized.

Capital assets of the Organization are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Improvements other than buildings	15 years
Buses	4 years
Equipment and software	3-10 years

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

PATHFINDERS STRATEGIC PARTNERS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Compensated Absences – Organization employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Earned and unused vacation may be paid upon termination, death or retirement. The compensated absences liability has been computed based on rates of pay in effect at July 1, 2020.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of administration fees not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

E. Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

F. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through March 23, 2021, the date the financial statements were issued.

(3) **Cash, Cash Equivalents and Pooled Investments**

The Organization's deposits at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Organization is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at

PATHFINDERS STRATEGIC PARTNERS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

federally insured depository institutions approved by the Board of Directors; prime eligible bankers' acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts and warrants or improvement certificates of a drainage district. The Organization had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk – The Organization's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipts) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Organization.

(4) Capital Assets

A summary of changes in property and equipment for the year ended June 30, 2020 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets not being depreciated/amortized				
Land	\$ 78,853	-	-	78,853
Total capital assets not depreciated	78,853	-	-	78,853
Capital assets being depreciated/amortized				
Building	2,866,004	-	-	2,866,004
Vehicles	2,996,698	176,735	53,653	3,119,780
Equipment	972,775	51,433	-	1,024,208
	6,835,477	228,168	53,653	7,009,992
Less accumulated depreciation/amortization for:				
Building	609,051	65,959	-	675,010
Equipment and vehicles	3,554,976	171,556	53,652	3,672,880
Total accumulated depreciation/amortization	4,164,027	237,515	53,652	4,347,890
Total capital assets being depreciated/amortized net	2,671,450			2,662,102
Capital Assets, net of accumulated depreciation	\$ 2,750,303			2,740,955

Depreciation/amortization expense of \$237,515 was expensed for the year ended June 30, 2020.

(5) Restricted Net Position - Notes Receivable

The Organization administers multiple revolving loan funds. Two of the revolving loan funds are funded primarily by the Economic Development Association (EDA) and provide financing for local businesses. Loans are subject to guidelines provided by the EDA and must stimulate the local economy and encourage job creation. The initial grant funds were supplemented by a local match from various regional sources. Combined, the funds have a portfolio of loans totaling \$80,737, net of an allowance for uncollectable notes of \$12,000, and a cash balance of \$313,254 at June 30, 2020. The total loans and cash balance maintained for this program is restricted to make additional business loans in the future.

PATHFINDERS STRATEGIC PARTNERS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

The Organization also administers the MIDAS Housing Revolving Loan Fund. As of June 30, 2020 there was one outstanding loan under this program for \$2,622.

Interest received on loans advanced under the EDA-RLF program can be no less than 75% of the prime rate. The interest rates applied to the MIDAS HRLF varies as deemed appropriate to facilitate a project.

(6) Dart Contract

The Organization has entered into a contract to operate the Dodger Area Rapid Transit System (DART) for the City of Fort Dodge. The contract calls for the City to subsidize the operation with \$227,000 of local funds and for all federal and state operating assistance received for DART to be provided to the Organization. The Organization is to assume all operating expenses and insurance requirements for the equipment. The term contract renews annually with the approval of both parties. In connection with the Organization's operation of the DART program, expenditures made by the Organization on behalf of DART totaled \$1,084,543 for the year ended June 30, 2020.

(7) Pension and Retirement Benefits

Plan Description – IPERS membership is mandatory for employees of the Organization, except for those covered by another retirement system. Employees of the Organization are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary. For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the

PATHFINDERS STRATEGIC PARTNERS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.92% of covered payroll and the Organization contributed 9.44% of covered payroll for a total rate of 15.73%.

The Organization's total contributions to IPERS for the year ended June 30, 2020 were \$115,255.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the Organization reported a liability of \$958,677 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Organization's proportion of the net pension liability was based on the Organization's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2019, the Organization's collective proportion was .0165556% which was an increase of .001239% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Organization recognized pension expense of \$176,350. At June 30, 2020, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,658	

PATHFINDERS STRATEGIC PARTNERS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Changes of assumptions	181,523	-
Net difference between projected and actual earnings on IPERS' investments	-	221,577
Changes in proportion and differences between Organization contributions and the proportionate share of contributions	24,279	-
Organization contributions subsequent to the measurement date	115,255	-
Total	\$ 323,715	221,577

\$115,255 reported as deferred outflows of resources related to pensions resulting from the Organization contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2021	\$ 13,953
2022	(22,905)
2023	(6,503)
2024	(5,208)
2025	7,546
Total	\$ (13,117)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.6% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and .65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

PATHFINDERS STRATEGIC PARTNERS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Organization will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Organization's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Organization's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Organization's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 1,702,302	958,677	334,934

PATHFINDERS STRATEGIC PARTNERS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2020, the Organization reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Risk Management

Pathfinders Strategic Partners is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The Organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Economic Dependency

The Organization received 45% of its revenue from pass-through grants from the Department of Transportation for the year ended June 30, 2020.

Of the federal awards expended during the year, 36% or \$687,371, was passed down to the Organization from the Iowa Department of Transportation for operating and capital purposes. The Organization had 42% or \$817,528 of the federal awards expended during the year that were passed down to the Organization from the City of Fort Dodge for operating and capital purposes.

(10) Other Postemployment Benefits (OPEB)

Plan Description – The Organization operates a single-employer retiree benefit plan which provides medical benefits for retirees. Premiums are age rated under these benefits and therefore according to the Organization’s actuary, there is no liability for OPEB.

(11) Correction of an Error

A restatement of the beginning net position was needed as it was determined that the Organization’s operations were more accurately reported as proprietary fund activities rather than governmental fund type activities. Therefore, the previously reported governmental fund balance and net position are now reported as proprietary/business type net position.

	Governmental Activities	Business Type Activities
Net position – as previously reported	\$ 1,634,769	\$ 3,040,237
Correction	-1,634,769	1,634,769
Net position – as restated	\$ -	\$ 4,675,006

PATHFINDERS STRATEGIC PARTNERS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

	Governmental Fund
Fund Balance – as previously stated	\$ 1,588,465
Correction	-1,588,465
Fund Balance – as restated	<u>\$ -</u>

Required Supplementary Information

PATHFINDERS STRATEGIC PARTNERS
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST SIX YEARS*

Required Supplementary Information

	2020	2019	2018	2017	2016	2015
Commission's proportion of the net pension liability	.016445%	.153170%	.015273%	0.016066%	0.017161%	0.017894%
Commission's proportionate share of the net pension liability	\$958,677	\$969,295	\$1,008,285	\$1,011,067	\$847,844	\$709,661
Commission's covered-employee payroll	\$1,278,835	\$1,168,873	\$1,145,980	\$1,124,199	\$1,176,083	\$1,171,019
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	74.96%	82.8%	87.95%	89.95%	72.02%	60.60%
Plan fiduciary net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditors report.

PATHFINDERS STRATEGIC PARTNERS
SCHEDULE OF COMMISSION CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS

Required Supplementary Information

	2020	2019	2018	2017
Statutorily required contribution	\$ 160,332	\$ 120,722	\$ 98,030	102,336
Contribution in relation to the statutorily required contribution	(160,332)	(120,722)	(98,030)	(102,336)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	-
Commission's covered-employee payroll	\$ 1,698,432	\$ 1,278,835	\$ 1,168,873	1,145,980
Contribution as a percentage of covered-employee payroll	9.44%	9.44%	8.39%	8.93%

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
100,391	105,024	104,572	102,012	96,138	98,621
(100,391)	(105,024)	(104,572)	(102,012)	(96,138)	(98,621)
-	-	-	-	-	-
1,124,199	1,176,083	1,171,019	1,176,609	1,191,301	1,419,007
8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

PATHFINDERS STRATEGIC PARTNERS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

YEAR ENDED JUNE 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.00 percent to 2.6 percent
- Decreased the assumed rate of interest on member accounts from 3.75 percent to 3.5 percent per year.
- Decreased the discount rate from 7.5% to 7.0%.
- Decreased wage growth assumption from 4.00% to 3.25%.
- Decreased payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.0% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2015. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

Supplementary Information

PATHFINDERS STRATEGIC PARTNERS

SUPPLEMENTAL BALANCE SHEET - DODGER AREA RAPID TRANSIT (DART)
YEAR ENDED JUNE 30, 2020

Assets	
Cash	\$ 100
Accounts receivable, net of allowance	9,615
Property, plant and equipment:	
Other equipment	<u>7,302</u>
Total assets	<u>17,017</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>157,253</u>
Liabilities	
Accrued payroll and payroll taxes	15,205
Accrued vacation	15,427
Noncurrent liabilities:	
Due in more than one year:	
Net pension liability	<u>461,428</u>
Total liabilities	<u>492,060</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>106,526</u>
Net Position	
Unrestricted	<u>(424,316)</u>
Total net position	<u>\$ (424,316)</u>

See accompanying independent auditor's report

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-through Grantor Title	CFDA Number	Pass-through Grantor Number	Federal Expenditures
Direct:			
U.S Department of Commerce			
Economic Development Support for			
Planning Organizations	11.302		\$ 52,500
Economic Adjustment Assistance	11.307		124,236
Economic Adjustment Assistance - recapitalization	11.307		222,006
Total U.S. Department of Commerce			<u>398,742</u>
Indirect:			
U.S Department of Transportation			
State of Iowa Department of Transportation			
Non-urban Operating Assistance Project	20.509	2019-024-00-050 SFY 20	388,121
Intercity Bus Assistance Project	20.509	TFR 19-121 to 20-094	14,612
COVID-19 Non-urban Operating Assistance Project	20.509	2020-01-00 FY 20	84,331
State Planning and Research Formula Grant	20.205	20RPA	49,020
Bus and Facilities Project	20.526	IA 2016-008-00-050	151,287
			<u>687,371</u>
The City of Fort Dodge, Iowa			
Non-urban Operating Assistance Project	20.509	2019-024-00-269	382,427
COVID-19 Non-urban Operating Assistance Project	20.509	2020-010-00-FY20	159,319
Transit Assistance Program	20.509	TFR 19-120 to 20-007	2,612
Transit Assistance Program	20.509	ICB CY 19-20	6,565
Bus and Facilities Project	20.526	2019-003-00-269	199,091
Bus and Facilities Project	20.526	2019-008-00-269	67,514
			<u>817,528</u>
			<u>1,504,899</u>
U.S Department of Health and Human Services			
Elderbridge Agency for the aging			
Special Programs for the Aging	93.044	B04710	30,000
			<u>30,000</u>
Total indirect			<u>1,534,899</u>
			<u>\$ 1,933,641</u>

See Notes to the Schedule of Expenditures of Federal Awards on page 33.

See accompanying independent auditor's report.

PATHFINDERS STRATEGIC PARTNERS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Mid-Iowa Development Association Council of Governments (Commission) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2, U. S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in financial position or cash flows of the Commission.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Commission has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

Subrecipients

The Organization did not have any sub-recipients for the year.

See accompanying independent auditor's report.

PATHFINDERS STRATEGIC PARTNETS

Schedule 3

COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - GOVERNMENT WIDE
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Operating Revenues		
Fare and contract income	570,276	756,921
State and federal grants	2,260,659	1,997,413
Local participation	454,534	422,818
	<u>3,285,469</u>	<u>3,177,152</u>
Total operating revenues		
Operating Expenses		
Payroll expenses	1,559,916	1,400,173
Transit assistance to providers	-	64,397
Facility operations	65,194	43,987
Vehicle expenses	291,127	264,907
Insurance expenses	240,204	225,621
Administrative expenses	210,788	174,946
Memberships	6,082	6,474
Travel	27,601	18,924
Employee recruitment training	14,030	13,134
Depreciation	237,515	227,427
Miscellaneous	11,377	21,369
DART bus purchases	344,616	2,000
	<u>3,008,450</u>	<u>2,463,359</u>
Total operating expenses		
Operating income	<u>277,019</u>	<u>713,793</u>
Non-Operating Revenues		
Gain from sale/dispositions of fixed assets	6,478	6,891
Interest income	22,043	19,690
	<u>28,521</u>	<u>26,581</u>
Total non-operating revenues		
Change in net position	305,540	740,374
Net position beginning of year	<u>4,675,006</u>	<u>3,934,632</u>
Net position end of year	<u><u>4,980,546</u></u>	<u><u>4,675,006</u></u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

To the Board of Directors of
Pathfinders Strategic Partners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Pathfinders Strategic Partners (the Organization), as of and for the year ended June 30, 2020, and the related Notes to the Financial Statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated March 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

T.P. Anderson & Company, P.C.

March 23, 2021
Humboldt, Iowa

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance**



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report on Compliance
For Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Board of Directors of
Pathfinders Strategic Partners

Report on Compliance for Each Major Federal Program

We have audited the Pathfinders Strategic Partners' compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020. Pathfinders Strategic Partners' major federal program is identified in the Summary of Auditor's Results, Part 1 of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Pathfinders Strategic Partners' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Organization's major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with types of compliance requirements referred

to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Pathfinders Strategic Partners is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

T.P. Anderson & Company, P.C.

March 23, 2021
Humboldt, Iowa

PATHFINDERS STRATEGIC PARTNERS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020

Comment Reference	Comment Title	Status
2019-001	Special Tests and Provisions	Corrected

PATHFINDERS STRATEGIC PARTNERS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued for the governmental activities, business type activities and each major fund for the Pathfinders Strategic Partners.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major federal programs were reported.
- (e) Unmodified opinions were issued on compliance with requirements applicable to each major federal program.
- (f) The audit disclosed no findings which was required to be reported in accordance with the Uniform Guidance.
- (g) The major programs for fiscal year ended June 30, 2020 was CFDA# 11.307, Economic Adjustment Assistance. Pathfinders Strategic Partners spent \$341,430 under this program during the year ended June 30, 2020. The Organization's second major program was CFDA #20.509, Formula Grant for Rural Areas and Tribal Transit Program, from which they spent \$1,037,987.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The Organization did not qualify as a low-risk auditee.

PATHFINDERS STRATEGIC PARTNERS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

PATHFINDERS STRATEGIC PARTNERS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No findings were noted.

PATHFINDERS STRATEGIC PARTNERS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-20 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-B-20 Travel Expense – No expenditures of Mid-Iowa Development Association Council of Governments money for travel expenses of spouses of Commission officials or employees were noted.
- IV-C-20 Business Transactions – No business transactions between the Commission and Commission officials or employees were noted.
- IV-D-20 Board Minutes – No transactions requiring Board approval were noted which had not been approved.
- IV-E-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Commission's investment policy were noted.